

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
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O R 151450Z NOV 76
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC IMMEDIATE 6639
INFO AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY ABU DHABI
AMEMBASSY QUITO
AMEMBASSY TRIPOLI

C O N F I D E N T I A L KUWAIT 5348

EXDIS

E.O. 11652: GDS
TAGS: ENRG, PFOR, KU
SUBJECT: OPEC PRICE DECISION

REF: (A) STATE 279392, (B) KUWAIT 5322.

1. IN VIEW OF ABSENCE ABROAD OF OIL MINISTER AND GIVEN THE GREAT IMPORTANCE USG ATTACHES TO PROBLEM OF POSSIBLE OPEC OIL PRICE INCREASE, I DECIDED TO SEEK APPOINTMENT WITH CROWN PRINCE/PRIME MINISTER SHAIKH JABER AL-AHMAD AL-SABAH. I MET WITH JABER AL-AHMAD NOV. 15 IN HIS CAPACITY AS ACTING AMIR BECAUSE OF RECENT DEPARTURE FOR LONDON OF AMIR.

2. I REVIEWED FOR THE ACTING AMIR POINTS MADE IN PARAS TWO THROUGH SEVEN OF REFTEL (A). I ALSO NOTED DURING MY PRESENTATION THAT, IN ADDITION TO THE EFFECT ON U.S. ECONOMIC GROWTH AND INFLATION, AN OPEC PRICE INCREASE WHICH WOULD HAVE THESE REACTIONS WOULD PRESENT OBSTACLES
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FOR THE NEW ADMINISTRATION TO CARRY OUT PROGRAMS ALREADY

INDICATED BY PRESIDENT-ELECT CARTER. I ALSO MENTIONED THAT, WITH RESPECT TO THE ECONOMIC EFFECT OF AN OIL PRICE INCREASE ON OTHER INDUSTRIALIZED COUNTRIES, THERE WAS ALSO CONCERN OVER THE POLITICAL RAMIFICATIONS OF SUCH A DEVELOPMENT.

3. AT THE END OF MY PRESENTATION I EXPRESSED MY DISAPPOINTMENT OVER THE REMARKS MADE BY A NUMBER OF MINISTERS AND OTHER GOK OFFICIALS RE ALLEGED U.S. THREATS WITH RESPECT TO QUESTION OF OIL PRICE INCREASE (REF B). I TOLD ACTING AMIR THAT, AS HE HAD JUST HEARD, THERE WERE NO THREATS INVOLVED IN MY PRESENTATION. THE USG CONSIDERS THAT THE GOK HAS BEEN PURSUING REASONABLE POLICIES, OF WHICH WE HAVE HAD RECENT FAVORABLE DEMONSTRATION. U.S. AIM WAS TO BRING TO ACTING AMIR'S ATTENTION THE SIGNIFICANT POINTS I HAD JUST MADE ON THIS SUBJECT AND TO ASK FOR CAREFUL GOK CONSIDERATION OF THEM. I THEN PRESENTED ACTING AMIR WITH AIDE-MEMOIRE COVERING POINTS IN PARAS TWO THROUGH SIX OF REFTEL (A).

4. RESPONDING TO MY PRESENTATION, ACTING AMIR SAID THAT HE APPRECIATED MY EXPLANATION OF THE VIEWS OF THE USG ON THIS ISSUE. HE WISHED TO ASSURE ME THAT THE GOK ATTITUDE TOWARD AN OIL PRICE INCREASE IS NOT THE SAME AS THOSE OF A NUMBER OF OTHER OPEC NATIONS. THIS DOES NOT MEAN, HOWEVER, THAT KUWAIT WILL NOT FALL IN LINE WITH AN OPEC MAJORITY DECISION.

5. JABER AL-AHMAD WENT ON TO NOTE THAT, WHILE WE HAVE ASKED OPEC TO FREEZE THE OIL PRICE, THE PRICES FOR GOODS PRODUCED BY INDUSTRIALIZED COUNTRIES CONTINUED TO RISE. ALSO WITH RESPECT TO INFORMATION PROVIDED FROM PARA SEVEN OF REF (A), OPEC NATIONS PARTICIPATED IN THESE CONSULTATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES ON THE BASIS THAT PRICES OF OIL AND MANUFACTURED GOODS WOULD BE CONTROLLED BY BOTH SIDES.

6. IN RESPONSE TO HIS COMMENTS I OBSERVED THAT, WHILE OIL PRICES WERE FIXED BY OPEC, INDUSTRIAL PRODUCTS RESPONDED TO THE OPERATION OF THE FREE MARKET SYSTEM. I THEN USED INFORMATION PROVIDED IN PARA EIGHT OF REF (A) TO DEMONSTRATE THAT OIL

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PRICES WERE CONSIDERABLY HIGHER BY COMPARISON TO THE DOLLAR UNIT VALUE OF EXPORTS FROM THE MAJOR INDUSTRIALIZED COUNTRIES TO OIL PRODUCING NATIONS. JABER AL-AHMAD REMARKED, SOMEWHAT RUEFULLY, THAT OPEC PRICES WERE NOT ENTIRELY FIXED SINCE SOME MEMBERS HAD SOLD THEIR OIL AT LOWER THAN THE OPEC-AGREED PRICE.

7. MEETING CONCLUDED WITH ASSURANCES FROM ACTING AMIR THAT

GOK WOULD GIVE CAREFUL CONSIDERATION TO POINTS RAISED BY ME ON BEHALF OF USG. I THANKED HIM FOR THE OPPORTUNITY TO MAKE THIS PRESENTATION TO HIM.

8. COMMENT: WITH JABER AL-AHMAD ACTING AS AMIR, MY MEETING WITH HIM TOOK ON EVEN MORE FORMALITY THAN IS USUAL. IMPRESSION I RECEIVED WAS THAT JABER AL-AHMAD WAS NOT PARTICULARLY IN FAVOR OF A PRICE INCREASE--CERTAINLY NOT A LARGE ONE--BUT THAT KUWAIT WOULD NOT, OF COURSE, BREAK RANKS WITH OPEC MEMBERS. NEVERTHELESS I SUSPECT THAT KUWAIT WILL STAND TOGETHER WITH SAUDI ARABIA AND ABU DHABI IN EFFORT TO CONTAIN EXTRAVAGANT ASPIRATIONS FOR OIL PRICE INCREASE ON PART OF CERTAIN OTHER OPEC MEMBERS.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, POLICIES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 NOV 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUWAIT05348
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760425-1029
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761148/aaaabpqqu.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 76 STATE 279392, 76 KUWAIT 5322
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by CunninFX>; APPROVED <08 SEP 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPEC PRICE DECISION
TAGS: ENRG, PFOR, KU, US, OPEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006